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# **Well-being in the welfare state towards some policy conclusions**

Ministry of Social Affairs and Health,  
Finnish Association of Social Policy,  
Diaconia University of Applied Sciences,  
University of Eastern Finland



# Measurement of quality of Life Comments on Stiglitz Report

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## **INTRODUCTION**

**1. → Goal**

**2. → CMEPSP**

**3. → Comparison: methodology**

## **COMPARISONS WITH**

**4. → EUSI**

**5. → OECD Factbook**

**6. → *OECD Global Project (taxonomy)***



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# Goal

## Commission on the Measurement of Economic Performance and Social Progress (CMEPSP)

Report  
(September, 2009)

Joseph E. STIGLITZ, Chair, Columbia University  
Amartya SEN, Chair Adviser, Harvard University  
Jean-Paul FITOUSSI, Coordinator of the Commission, IEP



# Goal

**Actually,**

many relevant initiatives aimed at measuring the progress of countries and well-being of citizens through different conceptual frameworks and by using several indicators (before and after report's publication).



# Goal

## This work aims at



- analysing some of them by comparing and confronting them to the CMEPSP's recommendations
- checking what already fits the commission recommendations and what still needs to be defined in that perspective



# Goal

## Different experiences identified



- European System of Social Indicators (EUSI), based upon a strong conceptual framework
- Factbook (OECD), representing a well-known informative instruments
- Global Project (OECD), Taxonomy

By following the CMEPSP's recommendations, the comparison did not concern experiences involving just single composite indicators.



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# CMEPSP

## Guidelines



- limits of GDP as an indicator of economic performance and social progress (including problems with its measurement)
- what additional information might be required for the production of more relevant indicators of social progress
- assessing the feasibility of alternative measurement tools, and discussing how to present the statistical information in an appropriate way



# CMEPSP

## **Conceptual framework: three broad areas**



- i. Classical economic issues
- ii. Quality of life
- iii. Sustainable development and environment



# CMEPSP

## **Conceptual framework: three broad areas**



- i. Classical economic issues**
- ii. Quality of life**
- iii. Sustainable development and environment**



# CMEPSP

## Classical GDP Issues

Existing measurement framework	Improving measurement of	National accounts aggregates
		Services
		government-provided services
	Revisit the concept of “defensive” expenditures	
	Income, wealth and consumption have to be considered together	
Bringing out the household perspective	Adjusting household income measures for government services in kind	
	Medians and means vs. distribution of income, consumption and wealth	
	Broader measures of household economic activity	
	Distribution of full income	



# CMEPSP

## Conceptual framework: three broad areas



- i. Classical economic issues
- ii. Quality of life**
- iii. Sustainable development and environment



# CMEPSP

## Quality of Life

Subjective measures of quality of life

Objective features  
shaping quality of life

Health

Education

Personal activities

Political voice and governance

Social connections

Environmental conditions

Personal insecurity

Economic insecurity



# CMEPSP

## Conceptual framework: three broad areas



- i. Classical economic issues
- ii. Quality of life
- iii. Sustainable development and environment**



# CMEPSP

## Sustainable Development and Environment

Dashboards or sets of indicators

Composite indices

Adjusted GDPs

Sustainable standard of living,

Adjusted net savings (ANS)

Footprints



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# Comparison: method

Consistently with the characteristics of the selected experiences, the comparison was accomplished at different levels:

		Comparable elements			
		Conceptual model	Policy goals	Indicators suggestion	Indicators
Experiences to be compared	CMEPSP (2009)	X	Xp	Xp	
	EUSI (2000)	X	X	X	X
	OECD Factbook (2005)		Xp		X
	OECD – Global Project – taxonomy (2009)	X			
	UN MDG (2001)		X		X
	ISTAT – Italian National Institute of Statistics				X



# Comparison: method

By taking into account the characteristics of **CMEPSP's** suggestions, this work aimed first at schematically rebuilding the underlying **CMEPSP's** conceptual framework.

The following outline describes that structure:



# Comparison: method

## I. Classical GDP Issues

A. Existing measurement framework	1. Improving measurement of	National accounts aggregates
		Services (general)
		Government-provided services
	2. Revisit the concept of “defensive” expenditures (investments - capital goods – maintenance)	Security (prisons, police, ...) Health (hospitals, ...) Environment (pollution, ...)
	3. Income, wealth and consumption have to be considered together (→ sustainability)	[Gross investments (physical & human capital)] – [depreciation & depletion (physical, human, natural capital)]
B. Bringing out the household perspective	1. Adjusting household income measures for government services in kind	Household disposable income Actual final consumptions (services access and quality)
	2. Medians and means vs. distribution of income, consumption and wealth	Wealth measured in terms of income redistribution and consumptions (Gini coefficient and other statistical indexes describing the distribution)
	3. Prices indices	Spatial and temporal comparisons
	4. Risk and vulnerability	Presence of less guarantees (e.g., risk caused by pensions system and individual investments)
	5. Broader measures of household economic activity	Cleaning, cooking, child and old people care, driving to work, ... (in monetary terms)
	6. Time use	Any individual activities measured in terms of time (also paid work and study)
	7. Valuing the production of household services	
	8. Valuing leisure	
	9. Distribution of full income	



# Comparison: method

## II. Quality of Life

A. Subjective measures of quality of life		
A. Objective features shaping quality of life	1. Health	Mortality (life expectancy at birth, standardized mortality rate, median life expectancy)
		Morbidity
		Combined health measures (disability-adjusted life year, disability-free life expectancy, health adjusted life expectancy)
	2. Education	Health inequalities (groups, life-styles, genetics)
		Inputs (school enrolment, education expenditures, school resources)
		Outputs (graduation rates, expected numbers of completed years of schooling, standardized test measures of students and adult achievement in terms of literacy and numeracy)
	3. Personal activities	Throughputs (graduation rates, expected numbers of completed years of schooling, standardized test measures of students and adult achievement in terms of literacy and numeracy)
		Paid work
		Unpaid domestic work
		Commuting
		Leisure time
	4. Political voice and governance	Housing
		Citizens' voice
		Legislative guarantees
	5. Social connections	Rule of law
		Social trust, social isolation, informal support, work place engagement, religious engagement, bridging social capital.
	6. Environmental conditions	Access to environmental services (water), environmental amenities and disamenities, climate variations, natural disasters.
	7. Personal insecurity	Crimes and incidents
	8. Economic insecurity	Unemployment, illness, old age



# Comparison: method

## III. Sustainable Development and Environment

Dashboards or sets of indicators	
Composite indices	
Adjusted GDPs	
Sustainable standard of living,	Adjusted net savings (ANS)
	Footprints



# Comparison: method

The comparisons



identifying the correspondence between  
the **CMEPSP**'s and each applied approach.



# Comparison: method

**CMEPSP's** proposal does not always suggest indicators



results of the comparing process show the correspondence of topics, sub-topics or indicators.



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# EUSI

## European System of Social Indicators

The conceptual framework is based on

- **scientific reflection** on notions of welfare and related goals of societal development
- **goals** and objectives pursued by the policies of the **European Union.**

**Six major perspectives and dimensions** of societal development in Europe have been identified.

Consistent measurement dimensions and indicators have been derived.



# EUSI

## European System of Social Indicators

### Concepts considered by EUSI

#### Three pillars / areas

(I)  
quality of life

(II)  
economic and  
social cohesion

(III)  
sustainability



# EUSI

## European System of Social Indicators

(i)  
quality of life

(ii)  
economic and  
social cohesion

(iii)  
sustainability

<i>Level of</i> ↓		→ Subjective well-being	
		high	low
Objective living conditions	high	<i>well-being</i>	<i>dissonance</i>
	low	<i>adaptation</i>	<i>deprivation</i>

Zapf (1975, 1984)



# EUSI

## European System of Social Indicators

(i)  
quality of life

(ii)  
economic and  
social cohesion

(iii)  
sustainability

Two goal dimensions have been distinguished:

1. reduction of disparities and inequalities and **fighting social exclusion**
2. strengthening of connections and social ties including the **enhancement of social capital.**



# EUSI

## European System of Social Indicators

(i)  
quality of life

(ii)  
economic and  
social cohesion

(iii)  
sustainability

### Four goal dimensions

- ↪ enhancement and preservation of social, human, produced and natural capital in the perspective of
- ↪ present generations and future generations

Reference: World Bank's four capital approach



# EUSI vs. CMEPSP

What Eusi has with reference to CMEPSP

CMEPSP		EUSI	
Classical GDP Issues			
A. Existing measurement framework	1. Improving measurement of	National accounts aggregates	X
		Services (general)	X
		Government-provided services	X
	2. Revisit the concept of "defensive" expenditures (investments - capital goods - maintenance)	Security (prisons, police, ...)	X
		Health (hospitals, ...)	X
		Environment (pollution, ...)	X
3. Income, wealth and consumption have to be considered together (→ sustainability)	[Gross investments (physical & human capital)] – [depreciation & depletion (physical, human, natural capital)]	Indicators are provided but not in the suggested combination	
B. Bringing out the household perspective	1. Adjusting household income measures for government services in kind	Household disposable income Actual final consumptions (services access and quality)	Income related to inequality concept and measured also through subjective indicators
	2. Medians and means vs. distribution of income, consumption and wealth	Wealth measured in terms of income redistribution and consumptions (Gini coefficient and other statistical indexes describing the distribution)	X
	3. Prices indices	Spatial and temporal comparisons	X
	4. Risk and vulnerability	Presence of less guarantees (e.g., risk caused by pensions system and individual investments)	X
	5. Broader measures of household economic activity	Cleaning, cooking, child and old people care, driving to work, ... (in monetary terms)	X
	6. Time use	Any individual activities measured in terms of time (also paid work and study)	X
	7. Valuing the production of household services		X
	8. Valuing leisure		X
	9. Distribution of full income		X



# EUSI vs. CMEPSP

What Eusi has with reference to CMEPSP

		CMEPSP	EUSI
		Quality of Life	
A. Subjective measures of quality of life			X
B. Objective features shaping quality of life	1. Health	Mortality (life expectancy at birth, standardized mortality rate, median life expectancy)	X
		Morbidity	X
		Combined health measures (disability-adjusted life year, disability-free life expectancy, health adjusted life expectancy)	X
		Health inequalities (groups, life-styles, genetics)	X
	2. Education	Inputs (school enrolment, education expenditures, school resources)	X
		Outputs (graduation rates, expected numbers of completed years of schooling, standardized test measures of students and adult achievement in terms of literacy and numeracy)	X
		Throughputs (graduation rates, expected numbers of completed years of schooling, standardized test measures of students and adult achievement in terms of literacy and numeracy)	X
	3. Personal activities	Paid work	
		Unpaid domestic work	
		Commuting	
		Leisure time	
		Housing	
	4. Political voice and governance	Citizens' voice	
		Legislative guarantees (*)	
	5. Social connections	Social trust, social isolation, informal support, work place engagement, religious engagement, bridging social capital.	
			X
6. Environmental conditions	Access to environmental services (water), environmental amenities and disamenities, climate variations, natural disasters.	O	
7. Personal insecurity	Crimes and incidents	X (only crime)	
8. Economic insecurity	Unemployment, illness, old age	X	



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# OECD Factbook

- considered by OECD the best-selling annual title
- provides a global overview of today's major economic, social and environmental indicators
- user-friendly formats



# OECD Factbook

## GOALS

- improve understanding of the situation and evolution over time
- meet the needs of a wide range of users through an easy form
- build a product that enhances the visibility of OECD to non-experts
- help users to assess the position of a single country



# OECD Factbook

Each edition of *Factbook* contains a special chapter, focusing on a particular topic.

The selected year (2008) was focused on *inequality*



# OECD Factbook

Population and migration	Total population
	Elderly population
	International migration
Macroeconomic trends	Gross Domestic Product (GDP)
	Economic growth
	Productivity
Economic globalisation	Economic structure
	Trade
Prices	Foreign direct investment (FDI)
	Prices and interest rates
Energy	Purchasing power and exchange rates
	Energy supply
Labour	Energy production and prices
	Employment
	Unemployment
Science and technology	Labour compensation and hours worked
	Research and development (R&D)
	ICT
Environment	Communications
	Water and natural resources
	Air and land



# OECD Factbook

Education	Outcomes
	Expenditure on education
Public finance	Government deficits and debt
	Public expenditure
	Support and aid
	Taxes
Quality of life	Health
	Society
	Leisure
	Security
Inequality	Income Inequalities
	Income poverty
	Government Redistribution
	Inequalities in Education
	Inequalities in Health
	Inequalities Among Regions



# OECD Factbook vs. CMEPSP

## What FACTBOOK has with reference to CMEPSP

CMEPSP		FACTBOOK	
Classical GDP Issues			
A. Existing measurement framework	1. Improving measurement of	National accounts aggregates	X
		Services (general)	
		Government-provided services	
	2. Revisit the concept of "defensive" expenditures (investments - capital goods – maintenance)	Security (prisons, police, ...)	
		Health (hospitals, ...)	
		Environment (pollution, ...)	
3. Income, wealth and consumption have to be considered together (→ sustainability)	[Gross investments (physical & human capital)] – [depreciation & depletion (physical, human, natural capital)]	X	
B. Bringing out the household perspective	4. Adjusting household income measures for government services in kind	Household disposable income Actual final consumptions (services access and quality)	X
	5. Medians and means vs. distribution of income, consumption and wealth	Wealth measured in terms of income redistribution and consumptions (Gini coefficient and other statistical indexes describing the distribution)	X
	6. Prices indices	Spatial and temporal comparisons	X
	7. Risk and vulnerability	Presence of less guarantees (e.g., risk caused by pensions system and individual investments)	
	8. Broader measures of household economic activity	Cleaning, cooking, child and old people care, driving to work, ... (in monetary terms)	
	9. Time use	Any individual activities measured in terms of time (also paid work and study)	X
	10. Valuing the production of household services		
	11. Valuing leisure		
12. Distribution of full income			



# OECD Factbook vs. CMEPSP

What FACTBOOK has with reference to CMEPSP

CMEPSP		FACTBOOK	
Quality of Life			
A. Subjective measures of quality of life		X	
B. Objective features shaping quality of life	1. Health	Mortality (life expectancy at birth, standardized mortality rate, median life expectancy)	X
		Morbidity	X
		Combined health measures (disability-adjusted life year, disability-free life expectancy, health adjusted life expectancy)	X
		Health inequalities (groups, life-styles, genetics)	X
	2. Education	Inputs (school enrolment, education expenditures, school resources)	X
		Outputs (graduation rates, expected numbers of completed years of schooling, standardized test measures of students and adult achievement in terms of literacy and numeracy)	X
		Throughputs (graduation rates, expected numbers of completed years of schooling, standardized test measures of students and adult achievement in terms of literacy and numeracy)	
	3. Personal activities	Paid work	
		Unpaid domestic work	
		Commuting	
		Leisure time	X
	4. Political voice and governance	Housing	
		Citizens' voice	
		Legislative guarantees (*)	
	5. Social connections	Rule of law (*)	
		Social trust, social isolation, informal support, work place engagement, religious engagement, bridging social capital.	X
	6. Environmental conditions	Access to environmental services (water), environmental amenities and disamenities, climate variations, natural disasters.	
	7. Personal insecurity	Crimes and incidents	X
	8. Economic insecurity	Unemployment, illness, old age	X



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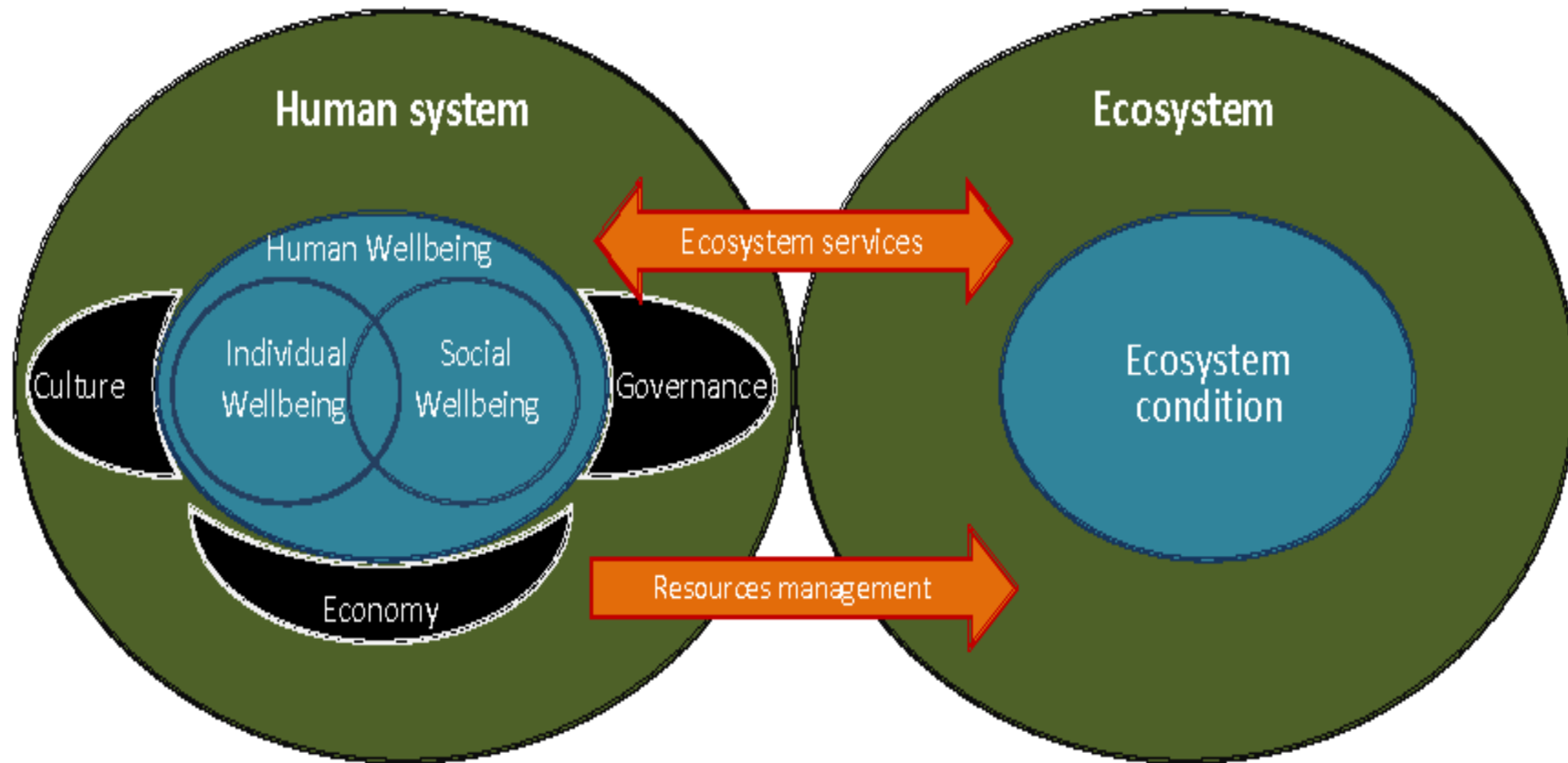


# OECD GP - Taxonomy

More recently,  
in the ambit of the Global Project,  
hosted by OECD  
a new taxonomy has been developed



# OECD GP - Taxonomy





# OECD GP - Taxonomy

Ecosystems Condition	Land
	Freshwater
	Oceans and Seas
	Biodiversity
	Atmosphere
Human Well-Being	Physical and mental health
	Knowledge and understanding
	Work and Leisure
	Material Well-Being
	Freedom and Self- Determination
	Interpersonal relationships
Economy	National Income
	National wealth
Governance	Human Rights
	Civic Engagement
	Security and Crime
	Access to Services
Culture	Cultural heritage
	Arts and Leisure
Resource use	Resource extraction and consumption
	Pollution



# OECD GP vs. CMEPSP

What OECD – Global Project has with reference to CMEPSP

CMEPSP			OECD – Global Project – Taxonomy
Classical GDP Issues			
A. Existing measurement framework	1. Improving measurement of	National accounts aggregates Services (general) Government-provided services	X National income
	2. Revisit the concept of “defensive” expenditures (investments - capital goods – maintenance)	Security (prisons, police, ...) Health (hospitals, ...) Environment (pollution, ...)	
	3. Income, wealth and consumption have to be considered together (→ sustainability)	[Gross investments (physical & human capital)] – [depreciation & depletion (physical, human, natural capital)]	
B. Bringing out the household perspective	1. Adjusting household income measures for government services in kind	Household disposable income Actual final consumptions (services access and quality)	X material well-being
	2. Medians and means vs. distribution of income, consumption and wealth	Wealth measured in terms of income redistribution and consumptions (Gini coefficient and other statistical indexes describing the distribution)	
	3. Prices indices	Spatial and temporal comparisons	
	4. Risk and vulnerability	Presence of less guarantees (e.g., risk caused by pensions system and individual investments)	
	5. Broader measures of household economic activity	Cleaning, cooking, child and old people care, driving to work, ... (in monetary terms)	
	6. Time use	Any individual activities measured in terms of time (also paid work and study)	
	7. Valuing the production of household services		
	8. Valuing leisure		
	9. Distribution of full income		



# OECD GP vs. CMEPSP

What OECD – Global Project has with reference to CMEPSP

CMEPSP		OECD – Global Project - Taxonomy	
Quality of Life			
A. Subjective measures of quality of life			
B. Objective features shaping quality of life	1. Health	Mortality (life expectancy at birth, standardized mortality rate, median life expectancy)	X Physical and mental health
		Morbidity	
		Combined health measures (disability-adjusted life year, disability-free life expectancy, health adjusted life expectancy)	
		Health inequalities (groups, life-styles, genetics)	
	2. Education	Inputs (school enrolment, education expenditures, school resources)	X knowledge and understanding
		Outputs (graduation rates, expected numbers of completed years of schooling, standardized test measures of students and adult achievement in terms of literacy and numeracy)	
		Throughputs (graduation rates, expected numbers of completed years of schooling, standardized test measures of students and adult achievement in terms of literacy and numeracy)	
	3. Personal activities	Paid work	X work and leisure
Unpaid domestic work			
Commuting			
Leisure time			
4. Political voice and governance	Housing	X freedom and self-determination Human rights Civic engagement Access to services	
	Citizens' voice		
	Legislative guarantees (*)		
5. Social connections	Rule of law (*)	X interpersonal relationships	
	Social trust, social isolation, informal support, work place engagement, religious engagement, bridging social capital.		
6. Environmental conditions	Access to environmental services (water), environmental amenities and disamenities, climate variations, natural disasters.		
7. Personal insecurity	Crimes and incidents	X security and crime	
8. Economic insecurity	Unemployment, illness, old age		



# FINAL REMARKS



# Final remarks

## Aim

understanding and highlighting – through an evidence based method – the originality of CMEPSP's report

## Expectations

new perspectives and suggestions in measuring societal progress and well-being



# Final remarks

## Results:

(i) nothing new is actually shown by the report, which did not consider previous experiences (self-centered?)

On the contrary, at least one of, the identified experiences revealed to be more

- comprehensive
- innovative
- based on conceptual framework and policy goals



# Final remarks

## Results:

(ii) This has two effects:

**Positive:** more interest in measuring well-being and sustainability from new perspectives and alternative approaches.

**Negative:** too much interest by “new-experts” (greenhorns): new attractive creations with no clear conceptual framework and methodological soundness are spreading out (trivialization)



# Final remarks

Towards the  
fulfilment of a  
good society?

The monitoring of societal wellbeing  
should be grounded on:

- a solid *democratic system*
- a transparent *media system*
- *education* of the citizens



# Final remarks

In this, an important role is played by ...

- the **education and university system**
- the **official statistics**

... two strategic and institutional sectors

... both should meet social consensus



# Final remarks

Are indicators enough?

We could image the policy-maker like a pilot sitting at the flight desk ...



Statistics have the task of defining, constructing and developing the instruments located in the cockpit.



# Final remarks

## Are indicators enough?

### This activity needs:

- a clear definition of destination (→ *goals*)
- a democratic process allowing the community to take a shared decision concerning destination (→ *democracy*)
- a deep knowledge of pre-conditions (→ *resources, ...*)
- a constant monitoring of flight conditions (→ *monitoring*)



# Final remarks

Are indicators enough?

This activity needs:

- a continuous transmission and sharing of information on flight conditions (→ *communication and information system*)
- a cultural environment available to support *scientific research* (basic and applied) to improve the whole system's conditions
- a system allowing the community to face and manage emergencies (→ *welfare and social security, ...*)



# Final remarks

Are indicators enough?

If even just one of these items is missed,  
pursuing a *good society* is seriously  
damaged.



*Thank you for your attention*